FARM BUSINESS FACTS

A review of business in agriculture during 1939. Broadcast by Frank George, Bureau of Agricultural Economics, in the Department of Agriculture portion of the National Farm and Home Hour, Thursday, December 28, 1939, over the NBC Blue Network.

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KADDERLY:

At the stroke of midnight day after tomorrow the peal of bells will usher in the New Year. The year 1939 will be ended.....the year that marks the end of probably the most eventful decade in the history of American agriculture.

Ten years ago - in nineteen thirty - prices of farm products were falling, farm income was rapidly shrinking, the value of farm lands was melting away. The farm mortgage debt was close to ten billions of dollars.

These were evidences of an agriculture in distress. In these past ten years that nationwide distress has been relieved, progress has been made in correcting maladjustments in the supply and demand of farm products. Farm prices have risen. Farm land values have gone up.

These evidences of an improved agricultural economy are found in a year-end review of agriculture prepared by our Bureau of Agricultural Economics.---a review that sets out facts about the business side of agriculture. The man who compiled that report is here today to talk about this review for a few minutes. His name is Frank George.

First of all, Frank, how large will the national farm income be this year?

GEORGE:

Our economists estimate that the farm cash income this year will total eight billion, three hundred million dollars. That figure includes income from marketings of farm products and Government conservation and price parity payments.

KADDERLY:

Well over 8 billion dollars. How much does that figure per farm?

GEORGE:

Well, there are about 7 million farms in this country. Dividing 8 billion dollars by the number of farms gives a rough average of about twelve hundred dollars a farm in nineteen thirty-nine. Of course many farms have a much smaller income than twelve hundred dollars. Many have much more. That's just a straight average.

KADDERLY:

How does that $1,200 average per farm compare with other years?

GEORGE:

Ten years ago - in nineteen thirty - the average per farm was about fourteen hundred dollars. But within two years (in 1932) the average was down to little more than seven hundred - or about one-half. In the last two years it has held around twelve hundred, and the economists are predicting it will be more than that in nineteen forty.

KADDERLY:

Another question, Frank. How much of that twelve hundred dollar average per farm in nineteen thirty-nine came in the form of payments from the Federal Government?

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GEORGE:

About a hundred dollars. And while you're mathematically inclined here's another calculation. In the last seven years the total farm income has been just under fifty-four billion dollars. About three billions of that came from the Federal Government in conservation and price parity payments. That figures out less than six per cent of the total.

KADDERLY:

In other words, for every dollar of farm income during the last seven years the Government contributed about six cents. (Pause) Now, Frank, let's look at farm land values. They have gone up in the last few years. How much?

GEORGE:

Per acre values of farm real estate have increased during the recovery period, but the rise has been rather conservative, and amounts to about fifteen percent. Farmers still remember the disastrous effects of the land boom just after the World War. They don't want that to happen again. At the moment, the national average of farm land values is about 16 percent less than in the years just before the World War.

KADDERLY:

That brings us to the farm mortgage debt. Ten years ago it was about ten billion dollars. What is it now? You'd expect that as farm income has increased, and as farm real estate values have gone up, the farm mortgage debt would be reduced. Has it turned out that way?

GEORGE:

Yes, the farm mortgage debt now stands at approximately seven billion dollars. That's the smallest in twenty years.

KADDERLY:

Of course, some of this reduction was brought about by the forced liquidation of debt during the depression.

GEORGE:

A good deal of it, in fact.

KADDERLY:

That seems to round out the financial picture pretty well for the last few years. Now tell us - if you will - something about production and prices during the last year.

We'll take production first. The output of farm products was larger this year than last, as I recall the figure.

GEORGE:

On the whole, yes. The total output of crops was slightly smaller, Wallace, but this was more than offset by the increased production of hogs and livestock products. In addition, large quantities of wheat, cotton, and feed grains had been carried over from preceding years as a safeguard against possible shortages due to drought and other damages. The abundant supplies of feed at relatively low prices was drawn upon in the emergency of drought that destroyed pastures over wide areas in New England and Western States last summer.

KADDERLY:

Yes, and that large carry-over of wheat provides a backlog against the short winter wheat crop in prospect for harvest in 1940. Now, prices in general.

GEORGE:

Prices of farm products were fairly stable in the aggregate during most of the past year. Prices of wheat and of cotton fell to low figures in world markets, but the prices of these products in the United States were supported by the Government loan and export programs. Wheat producers were protected also by crop insurance against losses through drought or other damage.

KADDERLY:

We've noted that prices of cotton and wheat have showed substantial gains in recent weeks.

GEORGE:

Yes, cotton recently has been selling at the highest prices in more than two years. Cotton prices advanced above the Government loan values. So a considerable reduction has been made in the quantity of cotton held by the Government as collateral on loans to farmers.

Dollar wheat became a reality for the first time in two years - in December. And it looks now as though the prices of all farm products combined will close the year at close to one hundred percent of pre-war. However, we shouldn't overlook the prices farmers have to pay for commodities used in production and for living continue twenty to twenty-five percent above the pre-World War base of one hundred. This means that farm products continue to have an exchange value about twenty percent smaller than in these pre-war years.

KADDERLY:

Frank, in contrast with wheat and cotton prices, the price of hogs has dropped.

GEORGE:

Well, we have the answer to that in what Mike Rowell told this audience a couple of days ago. Farmers produced this year the biggest crop of pigs in seventeen years of Government record - more than eighty-four million pigs. Prices have gone down as a result, and recently have been around the lowest figures in five years. Meanwhile, the price of feed grains has gone up from the low levels of last summer. Higher price of feed affects hog producers. Also, high feed prices mean higher costs of production for producers in all other livestock industries.

The production of milk is costing more, and the same is true of poultry and eggs. It remains to be seen whether the increase that is expected in consumer demand in this country will offset the higher costs of production.

KADDERLY:

Frank, can you give us a quick view of the farm exports situation? Is the European War causing our agricultural exports to increase?

GEORGE:

Not yet. Cotton exports are much larger than the small shipments at this time a year ago, but exports of cotton would have increased even more this year had it not been for the European War. There are several reasons why cotton exports have

GEORGE: (Cont'd)
increased in recent months. For one thing exports have been stimulated by the Government's cotton exchange and cotton exports programs. Also, supplies of American cotton in foreign countries are unusually small. Then, too, there has been a big increase in the consumption of cotton by our own cotton mills.

Wheat exports will be smaller this year than last, and this will offset in part the drought-reduced winter wheat crop to be harvested next summer. There is a large carry-over of wheat as part of the Government program of lending money on commodities stored against future needs, and because of this there will be no domestic shortage of wheat next year.

KADDERLY:
We have been looking at the past...so far. What do you see for nineteen forty in the way of food production on farms in the United States.

GEORGE:
Wherever you look on the farms and in the warehouses there is no shortage in the total supply of food and feed. The production of fats and oils from domestic materials in nineteen forty is likely to be the largest on Government record.

A new high record in production of milk was established this year - approximately one hundred and eleven billion pounds - and this may be exceeded in nineteen forty, if pasture conditions are good next summer.

There are many more cattle on feed this winter than a year ago. As a matter of fact, there are more of all kinds of livestock on farms now than there were a year ago.

Production of poultry and eggs has been increasing for several years, and this is expected to continue at least through the first six months of next year.

A larger potato acreage will be planted next season, if producers react to prices as they have in the past.

As for fruits -- the economists look for a better consumer demand next season, but this may be offset largely by the reduction in exports due to larger European fruit crops this season and to war conditions.

The economists also look for a high record production of commercial truck crops next season.

Taken by and large, Wallace, the year nineteen thirty-nine was a fairly good one in agriculture. Unless present signs are wrong, the year nineteen forty should be better.

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